14 DECEMBER 2021

CHEMRING GROUP PLC
("Chemring", "the Group" or "the Company")

RESULTS FOR THE YEAR ENDED 31 OCTOBER 2021

	As reported		*At 2020 exchange rates*		
	2021	*Change*	***2021***	***Change***	2020
Order intake (£m)	431.0	-1%	***448.6***	***+3%***	436.6
Revenue (£m)	393.3	- 2%	***408.0***	***+ 1%***	402.5
Underlying EBITDA* (£m)	76.4	+ 2%	***79.4***	***+ 6%***	74.6
Underlying operating profit* (£m)	57.5	+ 5%	***60.1***	***+ 10%***	54.7
Underlying profit before tax* (£m)	55.9	+ 8%	***58.4***	***+ 13%***	51.7
Underlying basic earnings per share* (pence)	16.9	+ 12%	***17.7***	***+ 17%***	15.1
Statutory operating profit (£m)	50.4	+ 9%			46.3
Dividend per share (pence)	4.8	+ 23%			3.9
Net debt at 31 October (£m)	26.6	- 45%	**28.4**	***-41%***	48.2
Order book at 31 October (£m)	500.8	+ 5%	***514.1***	***+8%***	476.0

Key points

- 2021 performance was in line with the Board's expectations with strong performance in both segments, despite an FX translation headwind caused by the 10 cent weakening of the US dollar
- Roke order intake exceeded £100m for the first time, with double digit growth in orders, revenue and operating profit in a positive market
- Successful acquisition and integration of the Cubica Group, performing well since completion in June 2021
- Continued progress in our US Sensors Programs of Record. Further orders received in the year for the next phase of HMDS delivery, valued at $69m, under the previously announced $200m IDIQ contract. $99m EMBD full rate production six-year contract awarded in October 2021
- Sensors & Information underlying operating margin increased from 20.0% to 21.6%
- Countermeasures & Energetics underlying operating margin increased from 15.0% to 16.2% as the UK countermeasures site delivered strong operational and financial performance
- Continued reduction in net debt with strong operating cash generation and cash conversion of 105%. Continued scheduled capital expenditure ahead of depreciation. Net debt to underlying EBITDA of 0.35 times
- New policy to target a medium-term dividend cover of c.2.5 times underlying EPS. Proposed final dividend increased by 23% to 3.2p, giving a total dividend of 4.8p (3.5 times cover)
- Investment in the Group's manufacturing infrastructure continues to be a key enabler to deliver improved safety and operational excellence. TRIF rate was down 21% at 0.67 (2020: 0.85)
- Board's expectations for 2022 are unchanged. Approximately 84% (2020: 78%) of expected 2022 revenue is covered by the order book

Michael Ord, Group Chief Executive, commented:

"Despite being another challenging year in which we have continued to operate under the restrictions of CV-19, I am delighted with the financial and operational progress that has been made across Chemring. We have continued the process of transformation that was launched in 2019 as we build a stronger, higher quality and technology focused business. We maintain our relentless focus on safety and on living our shared values of Safety, Excellence and Innovation. In doing so we are driving our collective purpose – delivering innovative protective technologies to help make the world a safer place.

Chemring is now a stronger business with increasing opportunities for development and growth and I would like to thank all my colleagues across Chemring for their determination, hard work and support. The progress made over the past few years would not have been possible without their collective efforts.

Trading since the start of the current financial year has been in line with expectations. With 84% of 2022 expected revenue covered by the order book, the Board's expectations for 2022 performance are unchanged. Chemring is well placed, with a robust strategy, market-leading positions across different geographies and sectors, and with products and services that are critical to our government and blue-chip customers around the world. Chemring's long-term prospects remain strong."

Notes:
* All profit and earnings per share figures in this news release relate to underlying business performance (as defined below) unless otherwise stated.

The principal Alternative Performance Measures ("APMs") presented are the underlying measures of earnings which exclude discontinued operations, exceptional items, gain or loss on the movement on the fair value of derivative financial instruments, the amortisation of acquired intangibles and the associated tax impact on these items. The Directors believe that these APMs improve the comparability of information between reporting periods as well as reflect the key performance indicators used within the business to measure performance. The term underlying is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

A reconciliation of underlying measures to statutory measures is provided below:

Group – continuing operations:	**Underlying**	**Non-underlying**	**Statutory**
EBITDA (£m)	76.4	(0.9)	75.5
Operating profit (£m)	57.5	(7.1)	50.4
Profit before tax (£m)	55.9	(7.1)	48.8
Tax charge (£m)	(8.3)	1.0	(7.3)
Profit after tax (£m)	47.6	(6.1)	41.5
Basic earnings per share (pence)	16.9		14.7
Diluted earnings per share (pence)	16.5		14.4
Segments – continuing operations:			
Sensors & Information EBITDA (£m)	34.4	-	34.4
Sensors & Information operating profit (£m)	31.6	(5.7)	25.9
Countermeasures & Energetics EBITDA (£m)	56.1	-	56.1
Countermeasures & Energetics operating profit (£m)	40.0	(2.1)	37.9

The adjustments to continuing operations comprise:

- amortisation of acquired intangibles of £6.2m (2020: £8.9m)
- costs relating to acquisitions of £1.6m (2020: £nil)
- gain on the movement in the fair value of derivative financial instruments of £0.7m (2020: £0.5m gain)
- tax impact of adjustments of £1.0m credit (2020: £0.5m credit)

Further details are provided in note 3.

EBITDA is defined as profit before interest, tax, depreciation and amortisation. Reference to constant currency relates to the re-translation of 2021 financial information at the 2020 exchange rates to reflect the movement excluding the impact of foreign exchange. The exchange rates applied are disclosed in note 10.

For further information:

Rupert Pittman	Group Director of Corporate Affairs, Chemring Group PLC	01794 463401
Andrew Jaques Oliver Hughes James Bavister	MHP Communications	020 3128 8170

Cautionary statement

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Chemring's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are: increased competition, the loss of or damage to one or more key customer relationships, changes to customer ordering patterns, delays in obtaining customer approvals for engineering or price level changes, the failure of one or more key suppliers, the outcome of business or industry restructuring, the outcome of any litigation, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in raw material or energy market prices, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, or the key timing and success of future acquisition opportunities or major investment projects. Chemring undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Notes to editors

- Chemring is a FTSE-250 global business that specialises in the manufacture of high technology products and the provision of services to the aerospace, defence and security markets
- Employing approximately 2,300 people worldwide, and with production facilities in four countries, Chemring meets the needs of customers in more than fifty countries
- Chemring is organised under two strategic product sectors: Sensors & Information and Countermeasures & Energetics
- Chemring has a diverse portfolio of products that deliver high reliability solutions to protect people, platforms, missions and information against constantly changing threats
- Operating in niche markets and with strong investment in research and development, Chemring has the agility to rapidly react to urgent customer needs

www.chemring.co.uk

Presentation
A video presentation and accompanying slides will be available at the Chemring Group results centre www.chemring.co.uk/investors/results-centre at 07.00 (UK time) on Tuesday 14 December 2021.

Photography
Original high resolution photography is available to the media by contacting Catherine Chapman, MHP Communications: catherine.chapman@mhpc.com / tel: +44 (0) 20 3128 8339.

Group overview

Overall 2021 performance was in line with our expectations despite the foreign exchange headwind caused by the weakening US dollar. On a constant currency basis both segments made operational and financial progress. The Group's reported revenue was down 2% to £393.3m (2020: £402.5m). Underlying operating profit was up 5% to £57.5m (2020: £54.7m). Underlying earnings per share was up 12% to 16.9p (2020: 15.1p).

In 2021 the Group successfully navigated a number of operational and financial challenges, including foreign exchange, delays in the US Department of Defense ("US DoD") procurement process, labour (in particular US) availability, various supply chain and inflationary pressures. These headwinds are likely to continue into 2022 and the Group will continue to work to mitigate their impact.

The US dollar has weakened in the year with the average exchange rate to sterling increasing from $1.28 to $1.38. Of the Group's revenue, 53% was US dollar denominated (2020: 54%). On a constant currency basis the Group's revenue was up 1% to £408.0m, underlying operating profit was up 10% to £60.1m and underlying earnings per share was up 17% to 17.7p. A summary of the impact of the exchange rate movements on the key metrics at a Group and segmental level is shown in the table below.

	At constant currency		*As reported*		
	2021	***Change***	*2021*	*Change*	2020
	£m		*£m*		£m
Group					
Revenue	**408.0**	**+1%**	*393.3*	*-2%*	402.5
Underlying EBITDA	**79.4**	**+6%**	*76.4*	*+2%*	74.6
Underlying operating profit	**60.1**	**+10%**	*57.5*	*+5%*	54.7
Underlying earnings per share	**17.7p**	**+17%**	*16.9p*	*+12%*	15.1p
Sensors & Information					
Revenue	**151.5**	**+10%**	*146.6*	*+7%*	137.2
Underlying EBITDA	**35.4**	**+15%**	*34.4*	*+12%*	30.7
Underlying operating profit	**32.6**	**+19%**	*31.6*	*+15%*	27.4
Countermeasures & Energetics					
Revenue	**256.5**	**-3%**	*246.7*	*-7%*	265.3
Underlying EBITDA	**58.4**	**+3%**	*56.1*	*-1%*	56.5
Underlying operating profit	**41.9**	**+5%**	*40.0*	*+0%*	39.9

In the Sensors & Information segment, Roke has again recorded double digit growth in orders, revenue and operating profit, with the market continuing to be positive. The acquisition of the Cubica Group was completed in June 2021, which creates further opportunities to enhance and further accelerate growth in Roke. In addition, there has been continued progress on the US Sensors Programs of Record with $69m of further delivery orders received for the next phase of the $200m Husky Mounted Detection System ("HMDS") Indefinite Delivery / Indefinite Quantity ("IDIQ") contract and an initial delivery order of $16m received in October 2021 for the sole source Enhanced Maritime Biological Detection ("EMBD") framework contract, which is valued at up to $99m and will see deliveries being made in the final quarter of FY22 and FY23, with an estimated completion date of December 2027.

In Countermeasures & Energetics, good progress was made on securing new long-term contracts, including Chemring Countermeasures USA receiving a five-year IDIQ contract for the supply of infra-red decoy flares and Chemring Energetics UK securing a 15-year long-term partnering agreement with Martin Baker Aircraft Company. The capital investment programmes are progressing as planned.

Net debt was £26.6m at the end of the year (2020: £48.2m), the decrease since 31 October 2020 being largely attributable to strong operating cash generation offset by the investment in capital projects in the year. Continuing underlying operating cash inflow of £80.0m (2020: £82.4m) represented 105% (2020: 110%) of EBITDA.

The Group's order book at 31 October 2021 was £501m (2020: £476m), of which approximately £358m is scheduled for delivery during 2022, representing cover of approximately 84% (2020: 78%) of expected 2022 revenue. The increase since 31 October 2020 is primarily attributable to strong order intake at Roke which exceeded £100m for the first time in its history.

Health and safety

Safety is our core value, with the health, safety and wellbeing of our colleagues, their families, our customers and the communities in which we operate being our priority. This has been particularly relevant this year as we have continued to operate under the restrictions caused by CV-19.

Whilst the pandemic has placed additional burden on every business with the need to implement and adhere to strict guidelines in order to maintain a safe environment, we have delivered good progress in line with our broader HSE strategy. We continue to focus our efforts across the areas of control of major accident hazards, injury reduction and HSE risk management. Alongside this we will ensure that we focus on the right skills, tools, processes and that support is in place at every level and for all employees across the business.

Our focus on injury prevention continues to place more emphasis on safety measures for people working from home and their mental and emotional wellbeing, and is now supported by the newly formed Healthy Workplace Committee.

In 2021 our total recordable injury frequency rate was 0.67 compared to 0.85 in 2020, a decrease of 21%.

Governance and ethics

We continue to strengthen our policies and procedures across the Group to ensure that our businesses operate with integrity and transparency and to the highest ethical standards. We have also maintained our focus on creating an inclusive culture across the Group, where everyone does the right thing and takes personal responsibility for their actions.

The bedrock of our governance is our Code of Conduct and our Operational Framework, both of which bind our purpose, values, behaviour, policies and procedures, and provide the necessary governance to enable us to operate in a safe, consistent and accountable way. Our Ethics & Compliance Committee, which meets regularly throughout the year and is chaired by the Chairman, is responsible for the oversight and monitoring of Chemring's governance framework and ethical business conduct and compliance.

Good governance and ethical behaviour underpin our evolving sustainability agenda and ensure that we operate safely, responsibly and in compliance with applicable legislation in all of the jurisdictions in which we operate.

Group Chief Executive's review

Despite being another challenging year in which we have continued to operate under the restrictions of CV-19, I am delighted with the financial and operational progress that has been made across Chemring. We have continued the process of transformation that was launched in 2019 as we build a stronger, higher quality and technology focused business. We maintain our relentless focus on safety and on living our shared values of Safety, Excellence and Innovation. In doing so we are driving our collective purpose: delivering innovative protective technologies to help make the world a safer place.

I would like to thank all my colleagues across Chemring for their determination, hard work and support. The progress made over the past few years would not have been possible without their collective efforts.

With market-leading innovative technologies and services that are critical to our customers, our niche market positions and our strong balance sheet, I look to the future with excitement and confidence in our continued success.

Purpose and strategy

Chemring's purpose is to help make the world a safer place. Across physical and digital environments, our exceptional teams deliver innovative protective technologies to detect and defeat ever-changing threats. We achieve this through innovation, using our extensive science and advanced engineering expertise to design, develop and manufacture critical solutions that protect and safeguard in an uncertain world.

The Group's strategy is to deliver sustainable, profitable growth by operating in markets where we have differentiators such as intellectual property, niche technology, high barriers to entry and deep long-term customer relationships.

The Sensors & Information sector remains Chemring's principal area of focus for long-term growth, reflecting customer demand and opportunities in this area. We continue to focus on expanding the Group's product, service and capability offerings, constantly innovating to enable our customers to deliver competitive advantage and to defend their people, assets and information.

The Countermeasures & Energetics sector strategy continues to be one of strengthening and protecting our niche, world-leading positions through continuously improving our technological and operational base, whilst working closely with our customers in the development of new solutions to meet emerging needs.

As a Board we remain open to accelerating our growth opportunities through selective acquisitions that meet a strict set of criteria, enhance shareholder value and fit in with our wider growth plans. This activity is principally focused on the Sensors & Information sector where we see greatest opportunities for long-term growth.

Elsewhere we will continue to focus our efforts on building a safe and resilient business that is able to deliver margin progression through continuous improvement in operational performance and execution. We shall continue to invest in both our people and our infrastructure in order to deliver sustainable growth into the future.

Environmental, Social and Governance ("ESG")

At Chemring our purpose is to help make the world a safer place, delivering innovative protective technologies to detect and defeat ever-changing threats. Our commitment to protection goes beyond our customers. It embraces many different stakeholders including our people and our suppliers, and it recognises the need for us to contribute towards a sustainable future.

From an ESG perspective 2020 was a baseline year for Chemring where we focused our efforts on gaining a better understanding of our data, identifying gaps within our knowledge, completing the reshaping of the portfolio to focus on protective technologies and putting in place the infrastructure and governance to effectively manage our sustainability agenda.

We continued to build on this progress in 2021 with the overriding goal of elevating our ESG-related activity.

A crucial first step in this, and a priority goal for the year, was to undertake a materiality assessment to identify the areas of greatest concern to our stakeholders, and to identify those areas and activities where our actions could have greatest positive impact.

The materiality assessment process identified the most significant environmental, social and governance topics, both risks and opportunities, and ranked them according to feedback from a selection of stakeholders including customers, suppliers, employees and investors. Key focus areas included health and safety, diversity and inclusion, reducing climate change, and employee wellbeing.

In addition to the materiality exercise we conducted a mapping exercise to consider the alignment of the organisation to the United Nations Sustainable Development Goals ("UN SDGs"), and assess the opportunities to measure and manage Chemring's contribution to the UN SDGs going forward.

Both exercises have been fundamental to enabling us to set appropriate near and longer-term targets, against which our progress can be measured. These include our commitment to reduce our direct (scope 1) and indirect (scope 2) emissions year on year, to be carbon neutral by 2030 (scope 1 and 2), and net zero by 2050. Our broader sustainability goals and near term targets, including our commitment to greater diversity and representation, are disclosed in greater detail in both our stand-alone sustainability report and this year's annual report and accounts.

To facilitate and ensure a consistent approach to sustainability across all our businesses, a Group Sustainability Committee was formed during the year. The Committee, which is chaired by the Group Chief Executive as the Board Director responsible for sustainability across the Group, consists of members of the Group's Executive Committee with responsibility for health and safety, environmental impact, people, ethics and business conduct, supported by internal subject matter experts. The Committee will shape and monitor the implementation of our sustainability agenda and ensure that the Group continues to make progress in the future.

As a business we are committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.

Culture

Our success is built by our people and much of this depends on having the right people, in the right place, at the right time. This is achieved through a balance of effective recruitment, opportunities for development, great managers, and a productive and inspiring culture. The Chemring culture must ensure that all our colleagues are able to enjoy a safe, inclusive, collaborative environment, where every individual has the opportunity to grow and develop and contribute to the development and success of the business.

Our investment in nurturing a culture built on our core values of Safety, Excellence and Innovation, which started with a full review in every part of the business in early 2019, is now embedded in every part of the business. However, there is still work to do and we continue to review and enhance our approach to how best to focus on developing an inclusive, respectful and diverse culture.

The impact of the CV-19 pandemic has been felt in many parts of the business and the ability to bring colleagues together in person has been significantly impacted. Similarly the opportunity to meet with customers and to host third parties at our locations has been reduced with the primary requirement to keep our colleagues, communities and families safe. As restrictions ease the opportunity to interact and collaborate in real time provides the opportunity for more work to be done in support of the cultural journey.

Making sure that we have an appropriately diverse pool of talent within the organisation is a key enabler and our wider focus on diversity, equity and inclusion has further developed this year. The establishment of a strategy and framework of activity to ensure progress towards this important cultural and behavioural element has been a key milestone in 2021. Starting with ensuring corporate and personal awareness of the importance of a diverse population, an inclusive culture and systems that help support equality and drive equity, a programme of workshops is now in place for all our senior leaders and managers. This will continue through 2022 when a programme of mentoring and sponsorship for less well represented populations within the Group will commence.

We will continue to focus throughout 2022 on developing an inclusive and dynamic work environment for all our colleagues in support of our business goals and to ensure that we continue to invest in our people.

Markets

The market outlook is positive with solid demand across our home markets, the US, the UK, Europe, and Australia.

The US

The US has the world's largest defence budget and our US businesses are well placed to benefit from this strong market environment.

President Biden's budget request for FY22 suggests that the new Biden-Harris administration is looking to create a modernised force structure with a strong emphasis on technological sophistication and military readiness. The US DoD's element of the overall $753bn national defence and security budget is $715bn with the additional $38bn being used to fund defence-related activities at the Department of Energy, Federal Bureau of Investigation and other agencies. This represents a non-inflation adjusted increase of 1.7%. We note the US budget's continuing resolution funds government operations at current levels through to mid-February 2022. At that point the budget must be adopted or another continuing resolution passed.

Competition with China and a pivot away from the Middle East towards the Indo-Pacific region are dominant in the planning assumptions, and throughout the budget request there is a strong focus on advanced capability enablers and R&D. Several of the identified priorities for targeted investment such as artificial intelligence, electronic warfare ("EW"), hypersonic technology, cyber and quantum computing can create opportunities for us to deploy Group-wide capabilities and technologies, particularly those in our Sensors & Information sector. Moreover, the need to counter emerging biological threats through threat reduction, infectious disease surveillance, biosecurity and medical countermeasure R&D will also play into our strengths in the same sector.

The President's request also includes a $12bn request for an additional 85 F-35 Lightning II aircraft which continues to drive demand in our countermeasures business.

The UK

Following November 2020's £16.5bn uplift for defence spending, the UK Government's defence and national security priorities as set out in March 2021's Integrated Review of Security, Defence, Development and Foreign Policy ("IR") align well to those of the US, and signal a strong and growing demand for our capabilities.

The UK's future priorities as set out in the IR are very well aligned to those of the US, and include the creation of new military and security constructs that are data and intelligence driven, with Science and Technology ("S&T") being positioned as a key element of UK soft power. Against this backdrop there is a strong pivot towards the acquisition of high technology capabilities in the areas of cyber, artificial intelligence, data science, EW, unmanned/autonomous systems and space. Our capabilities in the Sensors & Information sector, particularly in Roke, fit very well with these growing requirements.

As the sole source supplier of countermeasures to the UK's F-35 Lightning II fleet we are well placed to benefit from the IR's stated plans to expand the UK F-35 fleet size beyond the 48 aircraft already ordered.

For Chemring, the UK MOD accounts for less than 10% of Group revenues; however, it is an important partner for developing and qualifying new products, a role that will gain increased significance with these new capability priorities.

Europe

Near-term European defence spend is growing as several countries are looking to approach the recommended NATO commitment.

Real term European defence expenditure grew about 2% in 2020, with average spend among European NATO members reaching 1.64% of GDP. While this figure represents a continuation of the steady increases seen in recent years, it still falls short of NATO's recommended target for defence spend, namely 2% of GDP. This is despite the negative effect of the CV-19 pandemic on the European economy that has caused an overall GDP contraction of c.7%.

The budgets of the major European defence actors – France, Germany, Italy and the UK – all have an upwards trend. Although we continue to vie with highly capable competitors and national champions in Europe, we have succeeded in selling countermeasures, EW systems and improvised explosive device ("IED") detectors to several European customers including Germany, France, Italy and Spain. In addition, we provide energetic materials and components to several leading prime contractors across the region. The near-term outlook for the European market is potentially positive, with a number of niche opportunities for our capabilities.

Australia

Australia is Chemring's fourth home market and is investing to modernise its defence capabilities.

Australia has a well-equipped military, with capability provided by major international contractors as well as highly capable local suppliers. In response to what it sees as a deteriorating regional environment, the Australian Government has plans to increase its total defence spending over the next decade from AU$195bn to AU$270bn. Associated with this budgetary increase is a simultaneous objective to foster a robust and resilient indigenous industrial base.

The recently announced Australia – United Kingdom – United States ("AUKUS") tripartite security alliance confirmed that the UK and the US intend to share with Australia their expertise in security and defence related S&T including in cyber, artificial intelligence and quantum computing. AUKUS covers three of Chemring's home markets, and the even greater co-operation that this pact will engender has potential to create new opportunities for the Group's capabilities.

Group financial performance

The US dollar has weakened in the year with the average exchange rate to sterling increasing from $1.28 to $1.38, resulting in a significant headwind. Of the Group's revenue, 53% was US dollar denominated (2020: 54%). On a constant currency basis the Group's revenue was up 1% to £408.0m, underlying operating profit was up 10% to £60.1m and underlying earnings per share was up 17% to 17.7p.

Order intake across the Group has remained robust at £431.0m (2020: £436.6m) despite the impact of the weaker US dollar, with Roke seeing order intake exceeding £100m for the first time and the release of further delivery orders on the HMDS IDIQ contract, as well as orders awarded to the US countermeasures businesses. The comparator year benefitted from our Australian business receiving a $107m multi-year contract for the supply of countermeasures for the F-35.

Revenue for the year was down 2% to £393.3m (2020: £402.5m), driven by strong performance in the Sensors & Information segment, offset by a foreign currency headwind.

The underlying operating profit of £57.5m (2020: £54.7m) resulted in an underlying operating margin of 14.6% (2020: 13.6%). The improved margin compared to 2020 primarily reflects the growth of the higher margin Sensors & Information segment and the continued focus on improved operational execution throughout the Group, particularly at the UK countermeasures site.

Total finance expense fell to £1.6m (2020: £3.0m). This was achieved by the continued focus on the efficient management of working capital and lower levels of net debt throughout the year.

This resulted in an underlying profit before tax of £55.9m (2020: £51.7m). The effective tax rate on the underlying profit before tax was 14.8% (2020: 17.6%). The underlying earnings per share was 16.9p (2020: 15.1p).

Statutory operating profit was £50.4m (2020: £46.3m) and after statutory finance expenses of £1.6m (2020: £3.0m), statutory profit before tax was £48.8m (2020: £43.3m). The statutory tax charge totalled £7.3m (2020: £8.6m), giving statutory profit after tax of £41.5m (2020: £34.7m) and statutory earnings per share of 14.7p (2020: 12.3p).

A reconciliation of underlying to statutory profit measures is provided in note 3. The non-underlying costs relate to the amortisation of acquired intangibles, costs relating to acquisitions, gains on the movement in the fair value of derivative financial instruments and the tax credit associated with these.

Segmental review – Sensors & Information

Performance

Revenue for Sensors & Information increased by 7% to £146.6m (2020: £137.2m) and underlying operating profit increased by 15% to £31.6m (2020: £27.4m), as underlying operating margin improved to 21.6% (2020: 20.0%). The Sensors & Information business in the US has seen continued progress on the US Programs of Record and Roke's information security business has continued to grow. On a constant currency basis revenue would have risen 10% to £151.5m and underlying operating profit would have been up 19% to £32.6m. The statutory operating profit for the year was £25.9m (2020: £21.0m).

In the UK, the markets for EW, cyber-security and data science capabilities, in which Roke is a leading participant, have remained buoyant in the period. Roke delivered double digit growth in orders, revenue and underlying operating profit and has maintained strong margins despite increased investment in people, infrastructure and product development. This includes the establishment of a Roke presence in the North West of England to align with customers establishing a hub for national security in that area and aligns with Roke's strategy to grow talent and develop new hubs across the UK.

The acquisition of the Cubica Group in June 2021 is an excellent strategic and cultural fit for our Roke business. It offers leading edge capability in machine augmented intelligence and autonomy, where Roke's customers require an exponential increase in capability to achieve digital advantage against complex threats. Roke plans to invest c.£1m in Cubica to support accelerated growth. This investment will be focused on research and development, infrastructure and security. Cubica has added further market-leading capabilities to Roke's technology portfolio. The integration has progressed to plan and the business is performing well. Tackling harmful content and activity online remains a key priority in the UK and worldwide and Cubica's ground-breaking work in the digital and internet policing domains means we are well positioned to capitalise on opportunities with a number of high-profile programmes.

In the US our Sensors business continued to focus on both the delivery phase of the HMDS Program of Record and on the engineering and manufacturing development ("EMD") and testing phases of the biological and chemical detection Programs of Record.

Key developments in the period on the major US Programs of Record are summarised below.

The US DoD's Explosive Hazard Detection HMDS program, which encompasses concurrent development, trialling and manufacturing, continues to progress as expected. Further delivery orders of $69m were received during the year under the previously awarded $200m IDIQ contract, providing visibility on this Program of Record well into FY22. The production phase is progressing as planned and customer deliveries were made on schedule throughout the year.

We expect this program to run for the next decade, providing a recurring level of business as the US Army moves to its objective of growing and upgrading its HMDS fleet. The new fleet will comprise both refurbished and new HMDS and this activity will run alongside technology upgrade programs.

The sole source Joint Biological Tactical Detection System ("JBTDS") program is progressing as planned through the EMD phase and a customer procurement decision is expected in FY22.

The second biological program is the Enhanced Maritime Biological Detection System ("EMBD"), an automated sensor to rapidly detect, collect, identify and sample airborne biological warfare agents, where the customer is the US Navy. In October 2021, following the successful completion of the low rate initial production ("LRIP") contract that was awarded in May 2020, the US DoD approved and awarded a full rate production contract. The value of this sole source framework contract is up to $99m with an estimated completion date of December 2027. An initial delivery order of $16m will see deliveries being made in the final quarter of FY22 and FY23.

The Aerosol and Vapor Chemical Agent Detector program ("AVCAD") is also progressing through its EMD phase. The next customer procurement decision point is still expected to be at the conclusion of the EMD phase in FY22. Chemring remains one of two contractors currently selected for this competitive program, expected to be worth up to $800m.

We are increasingly focusing our efforts within the US market through Roke USA, Inc. Following the first EW order to the US DoD that was secured in 2020, our Resolve and Perceive products are currently on trial with a number of different US Army divisions where customer feedback has been excellent. Roke USA continues to support the customer with a view to securing further orders from this potentially significant market.

Opportunities and outlook

The focus for Sensors & Information continues to be on expanding the Group's product, service and capability offerings in the areas of national security, artificial intelligence and machine learning, tactical electronic warfare and information security, and securing positions on the US DoD Programs of Record.

In the UK, the national security and defence markets continue to grow with a focus on emerging technologies in connectivity, cyber, automation and data analytics. Roke will continue to focus its efforts on growing across all its business areas, delivering research, design, engineering and advisory services using its high quality people and capabilities.

We will continue to actively explore opportunities to expand and accelerate the Sensors & Information sector capabilities and offerings, both by leveraging opportunities in adjacent markets and through further bolt-on acquisitions. However any acquisition must meet a strict set of criteria, enhance shareholder value and fit in with our wider growth plans.

In the US, the HMDS and EMBD programs provide good medium-term visibility and the focus continues to be on ensuring that the Virginia and North Carolina facilities are mobilised and resourced to maximise Chemring's opportunity to convert current and potential chemical and biological detection Programs of Record and the EW opportunity. We will also invest in next-generation product development and in modifying existing technologies to enable them to be deployed on a wider number of platforms including autonomous systems and UAVs.

The order book for Sensors & Information at 31 October 2021 was £113.6m (2020: £87.3m), of which £103m is expected to be delivered in 2022, providing 65% cover of expected 2022 revenue. 2022 trading performance for Sensors & Information is expected to show a continuation of the levels of business seen in 2021, with medium-term growth opportunities driven by the chemical and biological detection Programs of Record moving into full rate production and continued demand for Roke's products and services.

Segmental review – Countermeasures & Energetics

Performance

Order intake in the year was lower at £255.1m (2020: £287.8m), primarily driven by the impact of a weaker US dollar and a strong comparator in 2020 when our Australian business received its $107m two-year order for the supply of countermeasures for the F-35 under a five-year IDIQ contract.

Following the change of administration in the US and the continuation of CV-19 working restrictions, the process of doing business with some government departments has, on occasion, slowed and as a result some Countermeasures & Energetics orders that were expected in the first half were delayed until the second half of FY21.

Nonetheless, during the year Chemring Countermeasures USA received multiple orders totalling $111m, including a five-year IDIQ contract for the supply of M206 and MJU-7A/B infra-red decoy flares. Deliveries under these contracts started in 2021 and run through to 2024 giving improved visibility and strengthening our positions in key markets.

In the UK, Chemring Energetics secured a long-term partnering agreement with Martin Baker Aircraft Company. This 15-year agreement will see Chemring supply propellant material and pyro-mechanical devices for use in a wide range of Martin Baker's ejection seats (including those on the F-35 Joint Strike Fighter) and is valued at up to £160m.

Revenue for Countermeasures & Energetics decreased by 7% to £246.7m (2020: £265.3m), driven by a foreign currency headwind as well as some timing delays on customer acceptance in the space market and the impact of CV-19 on the commercial metron market, both within the niche energetics businesses. The segment reported an underlying operating profit of £40.0m (2020: £39.9m) as underlying operating margin improved to 16.2% (2020: 15.0%) driven by improved operational execution, in particular at the UK countermeasures facility. On a constant currency basis revenue would have decreased by 3% to £256.5m and operating profit would have been up 5% to £41.9m.

The statutory operating profit for the year was £37.9m (2020: £37.4m).

The investment in the expansion and automation of our Tennessee facility to meet the expected demand for F-35 countermeasures has continued during the year. Construction work of buildings was completed and despite a delay in the supply of complex manufacturing equipment to site due to suppliers being impacted by CV-19, the new facility began its commissioning process in October 2021. During the year £6m was spent on the facility, bringing the total spend to date to £43m. The expected total cost of the programme remains approximately £50m. The facility will now go through a period of characterisation and testing as production gradually ramps up. We still do not expect to generate revenue from the new facility until the second half of our 2022 financial year.

The specialised and niche nature of our energetic devices products was demonstrated in February 2021 when the Perseverance Rover landed on the surface of Mars with 233 Chemring devices on board. These were designed, developed and manufactured at our Chicago facility and were all critical to the success of the mission.

Opportunities and outlook

The focus for Countermeasures & Energetics remains on safeguarding and growing the Group's market-leading positions in niche markets.

We will continue the process of modernisation and automation across our sites, and in improving our competitiveness through investment in lean manufacturing capabilities. We will also invest in new product development to ensure that our product portfolio remains highly relevant to our customers and will continue the process of operational alignment to share technology and manufacturing excellence across the Group.

We will continue the process of expanding our capacity at our countermeasures manufacturing operations in the US in response to the continuing demand for airborne countermeasures driven by air platform sales including the F-35 and in the important special material decoy market.

The Group's niche propellant and devices businesses in Scotland and Chicago are increasingly securing long-term contracts with customers, supporting greater short and medium-term visibility and providing a framework for long-term planning and investment decisions. Similarly, demand for high quality high explosives has enabled Chemring Nobel in Norway to work proactively with its customer base on long-term contracting models, providing much improved visibility.

The Countermeasures & Energetics order book at 31 October 2021 was £387.2m (2020: £388.7m). The slight decrease compared to the 2020 year end closing order book is partly attributable to foreign exchange; on a constant currency basis using the 2020 closing exchange rates the order book would be £397.3m. The remaining movement is largely attributable to the delivery of a substantial part of the $107m F-35 two-year countermeasures contract by our Australian business that was received in April 2020, offset by increased order intake in our US countermeasures businesses. Of the 31 October 2021 order book, approximately £255m is currently expected to be delivered in 2022, representing 95% coverage of expected 2022 revenue.

Net debt and cash flow

The Group's net debt at 31 October 2021 was £26.6m (2020: £48.2m), representing a net debt to underlying EBITDA ratio of 0.35x (2020: 0.65x). The financial health of the Group has continued to improve in a number of aspects during the year. Disciplined working capital practices have been maintained to reduce intra-period volatility. The Group is working to achieve further improvements over the medium term.

No defined benefit pension contributions were required in the year and none are expected in 2022, 2023 or 2024.

Underlying operating activities generated cash of £80.0m (2020: £82.4m). Underlying cash conversion was 105% (2020: 110%) of underlying EBITDA, and an average of 108% on a rolling 24-month basis (2020: 108%). The Group has replaced its existing facility with a new £150m revolving credit facility in 2021, which runs to December 2024 and has an option to extend for a further three years at the lenders' discretion.

Working capital

Working capital was £84.4m (2020: £85.1m), a decrease of £0.7m. As a percentage of revenue, working capital has remained consistent at 21% at 31 October 2021. We continued with our focus on commercial contracting, inventory levels and cash management.

In absolute terms inventory and payables have fallen, reflecting the timing of customer orders in Countermeasures & Energetics, and trade receivables have remained flat. Year end trade receivable days of 25 (2020: 30) and trade payable days of 18 (2020: 26) demonstrate that working capital has been managed in a balanced and sustainable manner.

Tax

The underlying tax charge totalled £8.3m (2020: £9.1m) on an underlying profit before tax of £55.9m (2020: £51.7m). The effective tax rate on underlying profit before tax for the year was a charge of 14.8% (2020: 17.6%). The reduction in rate is due to the recognition of a deferred tax asset in respect of future US interest deductions of £4m, offset by the increase in the UK corporation tax rate from 19% to 25% which increased our deferred tax liability by £2m.

Looking forward into 2022 we expect the Group effective tax rate to remain in the mid-teens. After which the change to the UK Corporation Tax rate will impact the annual current tax charge and this is expected to increase the Group effective tax rate to approximately 20%.

The continuing statutory tax charge totalled £7.3m (2020: £8.6m) on a statutory profit before tax of £48.8m (2020: £43.3m).

Retirement benefit obligations

The surplus on the Group's defined benefit pension schemes was £13.7m (2020: £7.6m), measured in accordance with IAS 19 (Revised) *Employee Benefits*. The surplus relates to the Chemring Group Staff Pension Scheme (the "Scheme"), a UK defined benefit scheme whose assets are held in a separately administered fund. The Scheme was closed to future accrual in April 2012. The increase in the surplus has been driven by growth in the return seeking assets. The resilience of the Scheme's investment strategy has limited the impact of increased inflation expectations given the liability driven investment hedging strategy. An updated triennial valuation was completed as at 6 April 2021 and showed a technical provisions surplus of £3.8m, which represented a funding level of 104% of liabilities. The Group agreed with the trustees that no further deficit recovery payments are required. The next actuarial valuation is due as at 6 April 2024 after which the future funding requirements will be reassessed.

Contingent liabilities

The Group is, from time to time, party to legal proceedings and claims, and is involved in correspondence relating to potential claims, which arise in the ordinary course of business.

In addition, the following matters remain open at year end:

- The Serious Fraud Office (the "SFO") investigation
- The incident that occurred at the Group's countermeasures site in Salisbury on 10 August 2018.

Full details of these are included in note 11.

Dividends

The Board continues to recognise that dividends are an important component of total shareholder returns. The Board's objective is for a growing and sustainable dividend and now believes it is appropriate for the Group to target a medium-term dividend cover of c.2.5 times underlying EPS, subject *inter alia* to maintaining a strong financial position.

The Board is recommending a final dividend in respect of the year ended 31 October 2021 of 3.2p (2020: 2.6p) per ordinary share. With the interim dividend of 1.6p per share (2020: 1.3p), this results in a total dividend of 4.8p (2020: 3.9p) per share, an increase of 23% on the prior year.

If approved, the final dividend will be paid on 31 March 2022 to shareholders on the register on 11 March 2022. In accordance with accounting standards, this final dividend has not been recorded as a liability as at 31 October 2021.

Board of Directors

Stephen King, Chairman of the Audit Committee, accepted a second three-year appointment as a non-executive director in November 2021. Andrew Davies and Carl-Peter Forster will complete their second three-year terms as non-executive directors in April 2022 and May 2022 respectively, and have both accepted the Board's offer to take up a third and final three-year appointment.

Current trading and outlook

Trading since the start of the current financial year has been in line with expectations.

The Board's expectations for the Group's 2022 performance are unchanged, with the balance of its trading performance in 2022 expected to be similar to 2021 with a slight bias towards the second half of the financial year.

The Group order book as at 31 October 2021 was £501m, of which £358m is currently expected to be recognised as revenue in 2022, giving excellent visibility for the full year.

Whilst there may be some macro-economic uncertainty surrounding the level and timing of defence spending as a result of the CV-19 pandemic, our multiple market-leading positions across different geographies and sectors, together with our investment in high technology niches, provide attractive long-term growth opportunities. This, together with the Group's strong balance sheet, gives the Board confidence that Chemring's long-term prospects remain strong.

Going concern

The directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

Key financial metrics

	2021	**Covenant**
Revolving credit facility and overdraft	£157.3m	
Undrawn committed borrowing facilities	£128.1m	
Leverage ratio	0.37x	Less than 3x
Interest cover ratio	54x	Greater than 4x

The revolving credit facility and overdraft run to December 2024 with three "one-year" options to extend at the lenders' discretion. The Group was in compliance with the covenants throughout the year.

Assessment of near-term prospects
As part of a regular assessment of the Group's working capital and financing position, the directors have prepared a detailed bottom-up two-year trading budget and cash flow forecast for the period through to October 2023, being at least twelve months after the date of approval of the financial statements. This is in addition to the Group's longer-term strategic planning process. In assessing the forecast, the directors have considered:

- trading risks presented by the current economic conditions in the defence market, particularly in relation to government budgets and expenditure;
- the impact of macro-economic factors, particularly interest rates and foreign exchange rates;
- the status of the Group's existing financial arrangements and associated covenant requirements;
- progress made in developing and implementing cost reduction programmes and operational improvements;
- the availability of mitigating actions should business activities fall behind current expectations, including the deferral of discretionary overheads and restricting cash flows; and
- the long-term nature of the Group's business which, taken together with the Group's order book, provides a satisfactory level of confidence to the Board in respect of trading.

Sensitivity analysis
Additional detailed sensitivity analysis has been performed on the forecasts to consider the impact of severe, but plausible, reasonable worst case scenarios on the covenant requirements. These scenarios, which sensitised the forecasts for specific identified risks, modelled the reduction in anticipated levels of underlying EBITDA and the associated increase in net debt. These scenarios included significant delays to major contracts and considered the principle risks and uncertainties discussed in the strategic report. These sensitised scenarios show headroom on all covenant test dates for the foreseeable future.

In addition to the above, the directors continue to monitor developments with, and potential impact of, CV-19 in the short and medium term and are in particular focused on the key risks of delays by customers in testing and acceptance of products, disruption to production capacity and efficiency as a result of government legislation on social distancing measures and the impact of the current situation on the Group's supply chain. The CV-19 outbreak is not currently having any material impact in relation to these risks or any other potential impacts, however, the directors are monitoring the situation closely.

Confirmation of going concern
After consideration of the above, the Directors have a reasonable expectation that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Long-term viability statement

The directors have assessed the Group's viability over a three-year period to October 2024 based on the above assessment, combined with the Group's strategic planning process, which gives greater certainty over the forecasting assumptions used. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet all its liabilities as they fall due up to October 2024.

The directors have chosen a three-year period to assess viability to reflect the characteristics of the Group's end markets. These range from multi-year contracts such as the US programs of record to shorter-term orders, such as those awarded to Roke.

Principal risks
In considering our viability statements we have considered the principal risks and uncertainties discussed in the strategic report and assessed the impact. The impact of CV-19 on viability is clearly a consideration for all companies at this time. Chemring's operations have been designated as critical to the defence and national security industrial base in all territories that we operate in. All our businesses remain open with business continuity plans mobilised at every location.

Sensitivity analysis
Sensitivity analyses were run to model the financial and operational impact of plausible downside scenarios of these risk events occurring individually or in combination. These included the impacts of a further deterioration in the macroeconomic environment including how CV-19 may impact the economy and future government policy and spending, under-performance in executing the Group's strategy, failure to achieve operational improvement and material movements in foreign exchange rates. Consideration was also given to the plausibility of the occurrence of other individual events that in their own right could have a material impact on the Group's viability.

Confirmation of viability
Based on the consolidated financial impact of the sensitivity analyses and associated mitigating internal controls and risk management actions that are either now in place or could be implemented, the Board has been able to conclude that the Group will be able to maintain sufficient bank facilities to meet its funding needs over the three-year period and those forecasts show compliance with covenants under the revolving credit facility.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results have not changed significantly from those set out in the Group's 2020 annual report and accounts and the 2021 interim report, except for the inclusion of CV-19 and the increase in operational risk due to the US Government's proposed mandatory CV-19 vaccination requirement for employees of US Government Contractors, which has the potential to significantly impact our US businesses. A detailed description of the Group's principal risks and uncertainties and the ways they are mitigated can be found on pages 64 to 71 of the Group's 2021 annual report and accounts. In summary, the principal risks relate to:

- Health, safety, and environmental risks
- Strategic risks
- Financial risks
- Operational risks
- People risks
- Legal and compliance risks
- Reputational risks

Management have detailed mitigation plans and assurance processes to manage and monitor these risks.

RESPONSIBILITY STATEMENT OF THE DIRECTORS ON THE ANNUAL REPORT AND ACCOUNTS

The responsibility statement below has been prepared in connection with the Company's full annual report and accounts for the year ended 31 October 2021. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of directors on 14 December 2021, and has been signed on its behalf by Michael Ord and Andrew Lewis.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 October 2021

	2021			2020		
	Underlying performance* £m	**Non-underlying items* £m**	**Total £m**	Underlying performance* £m	Non-underlying items* £m	Total £m
Continuing operations						
Revenue	**393.3**	**-**	**393.3**	402.5	-	402.5
Operating profit	**57.5**	**(7.1)**	**50.4**	54.7	(8.4)	46.3
Finance expense	**(1.6)**	**-**	**(1.6)**	(3.0)	-	(3.0)
Profit before tax	**55.9**	**(7.1)**	**48.8**	51.7	(8.4)	43.3
Taxation	**(8.3)**	**1.0**	**(7.3)**	(9.1)	0.5	(8.6)
Profit after tax	**47.6**	**(6.1)**	**41.5**	42.6	(7.9)	34.7
Discontinued operations						
(Loss)/profit after tax from discontinued operations (note 4)	**-**	**-**	**-**	(0.1)	0.1	-
Profit after tax	**47.6**	**(6.1)**	**41.5**	42.5	(7.8)	34.7
Earnings per ordinary share						
Continuing operations						
Basic	**16.9p**		**14.7p**	15.1p		12.3p
Diluted	**16.5p**		**14.4p**	14.8p		12.0p
Continuing and discontinued operations						
Basic	**16.9p**		**14.7p**	15.1p		12.3p
Diluted	**16.5p**		**14.4p**	14.7p		12.0p

** Further information about continuing non-underlying items is set out in note 3.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 October 2021

	2021 £m	2020 £m
Profit after tax attributable to equity holders of the parent as reported	**41.5**	34.7
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on defined benefit pension schemes	**6.2**	(1.9)
Movement on deferred tax relating to pension schemes	**(2.2)**	0.7
	4.0	(1.2)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(8.3)**	(0.2)
Exchange difference reclassified to income statement on disposal of foreign operation	**-**	(1.4)
Tax on exchange differences on translation of foreign operations	**0.1**	0.5
	(8.2)	(1.1)
Total comprehensive income attributable to equity holders of the parent	**37.3**	32.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 October 2021

	Share capital £m	Share premium account £m	Special capital reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2020	2.8	306.7	12.9	1.0	(18.9)	28.0	(2.9)	329.6
Profit after tax	-	-	-	-	-	41.5	-	41.5
Other comprehensive (loss)/income	-	-	-	-	(8.3)	6.2	-	(2.1)
Tax relating to components of other comprehensive (loss)/income	-	-	-	-	0.1	(2.2)	-	(2.1)
Total comprehensive income	-	-	-	-	(8.2)	45.5	-	37.3
Ordinary shares issued	-	0.4	-	-	-	-	-	0.4
Share-based payments (net of settlement)	-	-	-	-	-	4.5	-	4.5
Dividends paid	-	-	-	-	-	(11.9)	-	(11.9)
Purchase of shares by employee share ownership plan trust	-	-	-	-	-	(7.1)	-	(7.1)
Transactions in own shares	-	-	-	-	-	(2.9)	2.9	-
Transfer between reserves	-	-	-	(0.1)	-	0.1	-	-
At 31 October 2021	**2.8**	**307.1**	**12.9**	**0.9**	**(27.1)**	**56.2**	**-**	**352.8**

	Share capital £m	Share premium account £m	Special capital reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2019	2.8	306.2	12.9	1.0	(17.8)	8.5	(7.8)	305.8
Profit after tax	-	-	-	-	-	34.7	-	34.7
Other comprehensive loss	-	-	-	-	(1.6)	(1.9)	-	(3.5)
Tax relating to components of other comprehensive loss	-	-	-	-	0.5	0.7	-	1.2
Total comprehensive income	-	-	-	-	(1.1)	33.5	-	32.4
Ordinary shares issued	-	0.5	-	-	-	-	-	0.5
Share-based payments (net of settlement)	-	-	-	-	-	3.6	-	3.6
Dividends paid	-	-	-	-	-	(10.4)	-	(10.4)
Purchase of shares by employee share ownership plan trust	-	-	-	-	-	(2.3)	-	(2.3)
Transactions in own shares	-	-	-	-	-	(4.9)	4.9	-
At 31 October 2020	**2.8**	**306.7**	**12.9**	**1.0**	**(18.9)**	**28.0**	**(2.9)**	**329.6**

CONSOLIDATED BALANCE SHEET
as at 31 October 2021

		2021		2020
	£m	£m	£m	£m
Non-current assets				
Goodwill	**108.7**		108.5	
Development costs	**30.0**		29.8	
Other intangible assets	**14.1**		16.6	
Property, plant and equipment	**198.7**		194.0	
Retirement benefit surplus	**13.7**		7.6	
Deferred tax	**18.2**		15.7	
		383.4		372.2
Current assets				
Inventories	**80.7**		91.3	
Trade and other receivables	**60.6**		62.8	
Cash and cash equivalents	**5.8**		14.7	
Derivative financial instruments	**1.0**		0.4	
		148.1		169.2
Total assets		**531.5**		541.4
Current liabilities				
Borrowings	**(0.4)**		-	
Lease liabilities	**(1.4)**		(1.5)	
Trade and other payables	**(85.7)**		(97.2)	
Provisions	**(2.6)**		(3.3)	
Current tax	**(12.0)**		(9.1)	
Derivative financial instruments	**(0.4)**		(0.7)	
		(102.5)		(111.8)
Non-current liabilities				
Borrowings	**(28.1)**		(57.5)	
Lease liabilities	**(2.4)**		(3.8)	
Provisions	**(14.9)**		(15.7)	
Deferred tax	**(30.7)**		(22.9)	
Preference shares	**(0.1)**		(0.1)	
		(76.2)		(100.0)
Total liabilities		**(178.7)**		(211.8)
Net assets		**352.8**		329.6
Equity				
Share capital		**2.8**		2.8
Share premium account		**307.1**		306.7
Special capital reserve		**12.9**		12.9
Revaluation reserve		**0.9**		1.0
Translation reserve		**(27.1)**		(18.9)
Retained earnings		**56.2**		28.0
		352.8		332.5
Own shares		**-**		(2.9)
Total equity		**352.8**		329.6

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 October 2021

	2021	2020
	£m	£m
Cash flows from operating activities		
Cash generated from continuing underlying operations	**80.0**	82.4
Cash impact of continuing non-underlying items	**(1.3)**	(3.6)
Cash utilised in discontinued underlying operations	**-**	(2.6)
Cash impact of discontinued non-underlying items	**(0.4)**	(1.3)
Cash flows from operating activities	**78.3**	74.9
Tax (paid)/received	**(2.6)**	1.0
Net cash inflow from operating activities	**75.7**	75.9
Cash flows from investing activities		
Purchases of intangible assets	**(2.2)**	(5.2)
Purchases of property, plant and equipment	**(28.0)**	(35.6)
Customer funding for capital programmes	**-**	0.9
Acquisition of subsidiary net of cash acquired	**(5.1)**	-
Proceeds on disposal of subsidiary	**0.4**	14.5
Net cash outflow from investing activities	**(34.9)**	(25.4)
Cash flows from financing activities		
Dividends paid	**(11.9)**	(10.4)
Purchase of own shares	**(7.1)**	(2.4)
Proceeds from issue of shares	**0.4**	0.5
Finance expense paid	**(2.6)**	(3.0)
Capitalised facility fees paid	**(1.1)**	-
Drawdown of borrowings	**29.2**	108.0
Repayments of borrowings	**(55.7)**	(123.1)
Repayments of lease liabilities	**(1.6)**	(1.7)
Net cash outflow from financing activities	**(50.4)**	(32.1)
(Decrease)/increase in cash and cash equivalents	**(9.6)**	18.4
Cash and cash equivalents at beginning of the year (including bank overdraft)	**14.7**	(3.3)
Effect of foreign exchange rate changes	**0.3**	(0.4)
Cash and cash equivalents at end of the year (including bank overdraft)	**5.4**	14.7

Notes

1. ACCOUNTS AND AUDITOR'S REPORT

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 October 2021 or 31 October 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered following the Company's Annual General Meeting. The auditor has reported on these accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain any statements required under either section 498(2) or section 498(3) of the Companies Act 2006.

This announcement has been prepared on the basis of the accounting policies set out in the Company's financial statements for the year ended 31 October 2021.

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRSs"), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to post full financial statements that comply with IFRSs on its website on 14 December 2021 (see note 14 below).

Recent accounting developments

The following International Financial Reporting Committee ("IFRIC") interpretations, amendments to existing standards and new standards were adopted in the year ended 31 October 2021 but have not materially impacted the reported results or the financial position:

- Amendments to IFRS 3 *Business Combinations*;
- Amendments to IFRS 7, 9 and IAS 39 *Financial Instruments*;
- Amendments to IFRS 16 *Leases*;
- Amendments to IAS 1 *Presentation of Financial Statements*; and
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- Amendments to IAS 16 *Property, Plant and Equipment - Proceeds before Intended Use (early adopted)*.

2. SEGMENTAL ANALYSIS – CONTINUING OPERATIONS

Year ended 31 October 2021

	Sensors & Information £m	**Countermeasures & Energetics £m**	**Unallocated £m**	**Group £m**
Revenue	**146.6**	**246.7**	**-**	**393.3**
Segment result before depreciation, amortisation, non-underlying items and discontinued operations	**34.4**	**56.1**	**(14.1)**	**76.4**
Depreciation	**(2.7)**	**(15.5)**	**-**	**(18.2)**
Amortisation	**(0.1)**	**(0.6)**	**-**	**(0.7)**
Segmental underlying operating profit	**31.6**	**40.0**	**(14.1)**	**57.5**
Amortisation of acquired intangibles	**(4.1)**	**(2.1)**	**-**	**(6.2)**
Non-underlying items	**(1.6)**	**-**	**0.7**	**(0.9)**
Segmental operating profit	**25.9**	**37.9**	**(13.4)**	**50.4**

Year ended 31 October 2020

	Sensors & Information £m	Countermeasures & Energetics £m	Unallocated £m	Group £m
Revenue	137.2	265.3	-	402.5
Segment result before depreciation, amortisation, non-underlying items and discontinued operations	30.7	56.5	(12.6)	74.6
Depreciation	(2.8)	(15.7)	-	(18.5)
Amortisation	(0.5)	(0.9)	-	(1.4)
Segmental underlying operating profit	27.4	39.9	(12.6)	54.7
Amortisation of acquired intangibles	(6.4)	(2.5)	-	(8.9)
Non-underlying items	-	-	0.5	0.5
Segmental operating profit	21.0	37.4	(12.1)	46.3

3. ALTERNATIVE PERFORMANCE MEASURES

The principal Alternative Performance Measures ("APMs") presented are the underlying measures of earnings which exclude discontinued operations, exceptional items, gain or loss on the movement on the fair value of derivative financial instruments, and the amortisation of acquired intangibles. The directors believe that these APMs improve the comparability of information between reporting periods. The term underlying is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

	2021 **£m**	2020 £m
Gain on the movement in the fair value of derivative financial instruments	**0.7**	0.5
Acquisition expenses	**(1.6)**	-
Impact of non-underlying items on EBITDA	**(0.9)**	0.5
Intangible amortisation arising from business combinations	**(6.2)**	(8.9)
Impact of non-underlying items on profit before tax	**(7.1)**	(8.4)
Tax impact of non-underlying items	**1.0**	0.5
Impact of non-underlying items on continuing profit after tax	**(6.1)**	(7.9)
Non-underlying discontinued operations after tax	**-**	0.1
Impact of non-underlying items on profit after tax	**(6.1)**	(7.8)
Underlying profit after tax	**47.6**	42.5
Statutory profit after tax	**41.5**	34.7

Amortisation of acquired intangibles
Included in non-underlying items is the amortisation charge arising from business combinations of £6.2m (2020: £8.9m). Amortisation of acquired intangibles arising from business combinations is associated with acquisition accounting under IFRS 3 *Business Combinations*. IFRS requires intangibles to be recognised on acquisition that would not have been capitalised had the business grown organically under Chemring's ownership. As such, these costs are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the history of business units being acquired rather than organically developed, have been excluded from the underlying measures.

Derivative financial instruments
Included in non-underlying items is a £0.7m gain (2020: £0.5m gain) on the movement in fair value of derivative financial instruments. This is excluded from underlying earnings to ensure the recognition of the gain or loss on the derivative matches the timing of the underlying transaction.

Acquisition expenses
Included in non-underlying items is £1.6m (2020: £nil) of acquisition expenses. This includes £0.4m (2020: £nil) relating to deferred consideration contingent on continued employment of the former owners of Cubica, which has been accounted for as equity-settled share-based payments under IFRS 2 *Share-based* Payments. We have classified this cost as a non-underlying item as it is a non-recurring cost relating to an acquisition. See note 4 for further details. The acquisition expenses are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the costs of acquiring a business rather than organically developed, these costs have been excluded from the underlying measures.

Tax
In the year ended 31 October 2021, the tax impact of continuing non-underlying items comprises a £1.0m credit (2020: £0.5m credit) on the above non-underlying items.

Discontinued operations
Further details on the results of discontinued operations are presented in note 4.

4. ACQUISITIONS AND DISCONTINUED OPERATIONS

ACQUISITION OF THE CUBICA GROUP

On 2 June 2021, Chemring Group PLC acquired 100% of the issued shares in Cubica Technology Limited and Q6 Holdings Limited, collectively the "Cubica Group". The Cubica Group specialises in machine learning, data fusion and autonomous systems. The acquisition has strong synergies to Roke and will expand the Group's existing capabilities and product offerings.

The acquisition has been completed for an initial cash consideration of £7.0m, funded from Chemring's existing bank facilities. Further deferred consideration of up to £2.0m is payable in Chemring 1p ordinary shares in two tranches (subject to the former owners remaining employed in the Chemring Group) on the second and third anniversary of completion. The operating results and assets and liabilities of the acquired company have been consolidated from 3 June 2021.

The deferred consideration of £2.0m is contingent on continued employment of the former owners. In accordance with IFRS 3 these costs have been treated as post-acquisition expenses and accounted for as equity-settled share-based payments under IFRS 2. See note 3 for further details.

Acquisition-related costs of £1.6m have been classified as non-underlying costs in the statement of profit or loss in the reporting period ended 31 October 2021.

Since acquisition to 31 October 2021, the Cubica Group contributed revenue of £0.6m and an operating profit of £0.3m to the Group's results. If the acquisition had occurred on 1 November 2020, we estimate that its revenue would have been £1.4m, and operating profit for the year would have been £0.8m. In determining these amounts, we have assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 November 2020.

Details of the consideration transferred are:

	£m
Cash paid	7.0
Total purchase consideration	7.0
Less cash acquired	(1.9)
Net cash outflow	5.1

The provisionally determined fair values of the assets and liabilities of the Cubica Group as at the date of acquisition are as follows:

	Fair value £m
Cash and cash equivalents	1.9
Trade and other receivables	0.4
Trade and other payables	(1.4)
Current tax	(0.5)
Intangible assets: customer relationships	2.1
Intangible assets: technology	2.5
Deferred tax liability	(1.1)
Net identifiable assets	3.9
Less: non-controlling interests	-
Add: Goodwill	3.1
Net assets acquired	7.0

DISCONTINUED OPERATIONS

A strategic review of the Group's energetics portfolio was conducted during the year ended 31 October 2018. The Board concluded that the future focus within the energetics segment should be on the energetic devices businesses. It therefore made the decision to exit the commoditised energetics businesses.

	2021	2020
	£m	£m
Revenue	**-**	9.5
Underlying operating loss from discontinued operations	**-**	(0.1)
Tax on underlying operating loss from discontinued operations	**-**	-
Loss after tax from underlying discontinued operations	**-**	(0.1)
Loss after tax is analysed as:		
Before exceptional items	**-**	(0.1)
Exceptional items	**-**	0.1
Tax on exceptional items	**-**	-
	-	0.1
Loss for the year from discontinued operations	**-**	-

In the year ended 31 October 2020, the loss related to the continued trading activity of Chemring Ordnance, Inc. On 7 May 2020 the Group sold its US subsidiary Chemring Ordnance, Inc. to Nammo Defense Systems Inc., concluding the Group's exit from its commoditised energetics businesses.

5. EARNINGS PER SHARE

Earnings per share is based on the average number of shares in issue, excluding own shares held, of 281,555,716 (2020: 281,447,284). Diluted earnings per share has been calculated using a diluted average number of shares in issue, excluding own shares held, of 287,985,451 (2020: 288,416,915).

The earnings used in the calculations of the various measures of earnings per share are as follows:

			2021			2020
	£m	**Basic EPS (Pence)**	**Diluted EPS (Pence)**	£m	Basic EPS (Pence)	Diluted EPS (Pence)
Underlying profit after tax	**47.6**	**16.9**	**16.5**	42.6	15.1	14.8
Non-underlying items	**(6.1)**			(7.9)		
Total profit after tax	**41.5**	**14.7**	**14.4**	34.7	12.3	12.0

6. CASH GENERATED FROM OPERATING ACTIVITIES

	2021 £m	2020 £m
Operating profit from continuing operations	**50.4**	46.3
Amortisation of development costs	**0.6**	1.4
Amortisation of intangible assets arising from business combinations	**6.2**	8.9
Amortisation of patents and licenses	**0.1**	-
Loss on disposal of non-current assets	**0.1**	0.3
Depreciation of property, plant and equipment	**18.2**	18.5
Non-cash movement of non-underlying items	**0.9**	(0.5)
Share-based payment expense	**5.3**	4.0
Operating cash flows before movements in working capital	**81.8**	78.9
Decrease/(increase) in inventories	**7.9**	(12.2)
Decrease/(increase) in trade and other receivables	**0.9**	(9.9)
(Decrease)/increase in trade and other payables	**(10.3)**	25.2
(Decrease)/increase in provisions	**(0.3)**	0.4
Operating cash flow from continuing underlying operations	**80.0**	82.4

Discontinued operations:		
Operating cash flow from discontinued underlying operations	**-**	(2.6)
Cash impact of non-underlying items from discontinued operations	**(0.4)**	(1.3)
Net cash outflow from discontinued operating activities	**(0.4)**	(3.9)
Net cash inflow from discontinued investing activities	**0.4**	14.0
Net cash inflow from discontinued operations	**-**	10.1

7. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2021 £m	2020 £m
(Decrease)/increase in cash and cash equivalents	**(9.6)**	18.4
Decrease in debt and lease financing due to cash flows	**29.2**	16.8
Decrease in net debt resulting from cash flows	**19.6**	35.2
Effect of foreign exchange rate changes	**2.7**	(0.6)
New leases entered into, lease interest and other non-cash movements	**(0.1)**	(0.4)
Amortisation of debt finance costs	**(0.6)**	(0.2)
Movement in net debt	**21.6**	34.0
Adoption of IFRS 16 *Leases*	**-**	(6.5)
Net debt at beginning of the year	**(48.2)**	(75.7)
Net debt at end of the year	**(26.6)**	(48.2)

8. ANALYSIS OF NET DEBT

	As at 1 Nov 2020 £m	Cash flows £m	Non-cash changes £m	Exchange rate effects £m	**As at 31 Oct 2021 £m**
Cash and cash equivalents (including bank overdraft)	14.7	(9.6)	-	0.3	**5.4**
Debt due after one year	(57.5)	27.6	(0.6)	2.4	**(28.1)**
Lease liabilities	(5.3)	1.6	(0.1)	-	**(3.8)**
Preference shares	(0.1)	-	-	-	**(0.1)**
	(48.2)	19.6	(0.7)	2.7	**(26.6)**

The revolving credit facility is with a syndicate of six banks and was established in July 2021 and runs until December 2024 with three "one-year" options to extend.

The Group had £128.1m (2020: £86.4m) of undrawn borrowing facilities as at 31 October 2021.

The Group is subject to two key financial covenants, which are tested quarterly. These covenants relate to the leverage ratio between "underlying EBITDA" and net debt; and the interest cover ratio between underlying EBITDA and finance costs. The calculation of these ratios involves the translation of non-sterling denominated debt using average, rather than closing, rates of exchange, and therefore the leverage ratio of 0.37 times differs to the ratio of 0.35 times that is disclosed elsewhere in this document, which is calculated using the closing rates of exchange. The Group was in compliance with the covenants throughout the period.

9. DIVIDEND

At the Annual General Meeting on 4 March 2021 the shareholders approved a final dividend in respect of the year ended 31 October 2020 of 2.6p per ordinary share. This was paid on 23 April 2021 to shareholders on the register on 6 April 2021.

An interim dividend in respect of 2021 of 1.6p per ordinary share was paid on 10 September 2021 to shareholders on the register on 20 August 2021.

The Board is recommending a final dividend in respect of the year to 31 October 2021 of 3.2p (2020: 2.6p) per ordinary share. The estimated cash value of this dividend is £9.0m. With the interim dividend of 1.6p per share (2020: 1.3p), this results in a total dividend of 4.8p (2020: 3.9p) per ordinary share. If approved, the final dividend will be paid on 31 March 2022 to shareholders on the register on 11 March 2022. In accordance with accounting standards, this final dividend has not been recorded as a liability as at 31 October 2021.

10. EXCHANGE RATES

The following exchange rates applied during the year:

	Average rate 2021	**Closing rate 2021**	Average rate 2020	Closing rate 2020
US dollar	**1.38**	**1.37**	1.28	1.29
AU dollar	**1.82**	**1.83**	1.84	1.84

For the year ended 31 October 2021 a 10 cent strengthening in the US dollar exchange rate would have increased reported net debt by approximately £2.6m (2020: £4.5m) and underlying operating profit by £2.8m (2020: £2.6m).

11. CONTINGENT LIABILITIES

The Group is, from time to time, party to legal proceedings and claims, and is involved in correspondence relating to potential claims, which arise in the ordinary course of business. In addition, the following matters remain open at year end:

In accordance with the Serious Fraud Office ("SFO") News Release dated 18 January 2018, an investigation was opened by the SFO into Chemring Group PLC ("CHG") and its subsidiary, Chemring Technology Solutions Limited ("CTSL"), following a self-report made by CTSL. The investigation relates to bribery, corruption and money laundering arising from the conduct of business by CHG and CTSL including any officers, employees, agents and persons associated with them. It is too early to predict the outcome of the SFO's investigation, with which the Group continues to cooperate fully.

On 10 August 2018 an incident occurred at our countermeasures facility in Salisbury. The Group responded immediately to support those who were injured, and maintains appropriate employers' liability insurance that we expect will provide full compensation in due course. We continue to fully support the Health and Safety Executive ("HSE") as it undertakes its investigation. Whilst provisions have been recorded for costs that have been identified (included within "legal provisions"), it is possible that additional uninsured costs and, depending on the outcome of the HSE investigation, financial penalties may be incurred. At this stage these costs are not anticipated to be material in the context of the Group's financial statements.

12. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date requiring disclosure.

13. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed. The directors of the Company had no material transactions with the Company during the year, other than in connection with their service agreements.

14. 2021 ANNUAL REPORT AND ACCOUNTS

The annual report and accounts for the year ended 31 October 2021 will be posted on the Company's website, www.chemring.co.uk, on 14 December 2021 and a copy will be posted to shareholders, as required, in advance of the Company's Annual General Meeting on 3 March 2022.